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Message Text

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14
ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

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FM AMEMBASSY SINGAPORE
TO SECSTATE WASHDC 5719
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LIMITED OFFICIAL USE SINGAPORE 3300

E.O. 11652: NA
TAGS: ELAB, SN
SUBJECT: NATIONAL WAGES COUNCIL RECOMMENDATIONS FOR 1976

REF: SINGAPORE A-71 B) SINGAPORE 2618

SUMMARY AND INTRODUCTION. THIS MESSAGE OUTLINES NATIONAL WAGES COUNCIL (NWC) GUIDELINES FOR 1976 AND PROVIDES EMBASSY'S PRELIMINARY ASSESSMENT OF THEIR ECONOMIC AND POLITICAL SIGNIFICANCE. AN AIRGRAM, CURRENTLY IN PREPARATION, WILL PROVIDE A MORE COMPREHENSIVE SURVEY OF SUBJECT. END SUMMARY.

1. NWC RECOMMENDATIONS FOR 1976 (ANNOUNCED JUNE 24) CALL FOR SEVEN PERCENT PAY RAISE--WITH FULL OFFSETTING AGAINST ANNUAL INCREMENTS GRANTED PREVIOUS YEAR. DEPARTING FROM PAST PRACTICE, THIS YEAR'S OFFSETTING WILL BE ON GROUP SYSTEM BASED ON THE TOTAL BASIC WAGE BILL OF UNIONIZED WORKERS IN A COMPANY. (PRIOR YEAR'S NWC GUIDELINES RECOMMENDED OFFSETTING AGAINST EACH INDIVIDUAL WORKER'S ANNUAL INCREMENTS.) THE NWC GUIDELINES WERE ACCEPTED BY THE GOVERNMENT ON JUNE 26; THUS, EFFECTIVE JULY 1, THEY APPLY TO ALL THOSE IN CIVIL SERVICE, BUT NOT TO SUPER-GRADE OFFICERS WHO WILL BE CONSIDERED INDIVIDUALLY FOR
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WAGE INCREASES ON A DIFFERENT BASIS. FOR PRIVATE SECTOR

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EMPLOYEES, THE RECOMMENDATIONS ARE NEGOTIABLE WITH
EVENTUAL PAY RAISES RETROACTIVE TO JULY 1.

2. IN A BOW TO PROMOTION OF GREATER WORKER PRODUCTIVITY,
THE NWC STATED THAT PURPOSE OF RECOMMENDED WAGE INCREASES
WAS TO COMPEL "MALINGERERS" TO GREATER DILIGENCE AND TO
MOTIVATE GOOD WORKERS TO ACHIEVE EVEN HIGHER LEVELS OF
PRODUCTIVITY AND EFFICIENCY. SPECIFICALLY, THE NWC NOTED
THAT EMPLOYEES WHOSE WORK IS UNSATISFACTORY SHOULD BE
GIVEN NEITHER ANNUAL INCREMENT NOR MANDATED NWC PAY RAISE.
THIS CAVEAT INITIALLY CONFUSED THE PUBLIC, AND THERE WERE
MANY CALLS ON THE NWC FOR A PRECISE DEFINITION OF "MALIN-
GERING". EMPLOYEES WERE PARTICULARLY CONCERNED, FEARING
THAT THE IMPRECISE TERM WOULD ENABLE EMPLOYERS TO WITH-
HOLD JUSTIFIED INCREMENTS AND WAGE INCREASES. IN A
STRONGLY WORDED STATEMENT ON JUNE 26, THE NATIONAL TRADES
UNION CONGRESS (NTUC) WARNED EMPLOYERS NOT TO ABUSE PRE-
ROGATIVE TO WITHHOLD PAY RAISES. THE NTUC STATMENT
CONSTITUTED ITS INTERPRETATION ON THE MATTER: OF WITH-
HOLDING PAY RAISES: WHENEVER EMPLOYERS WOULD JUSTIFIABLY,
WITHIN THEIR NORMAL PRACTICES, WITHHOLD AN EMPLOYEE'S
ANNUAL INCREMENT FOR UNSATISFACTORY JOB PERFORMANCE, THE
NWC INCREASE SHOULD BE SIMILARLY WITHHELD.

3. ON FRINGE BENEFITS, THE NWC CALLED FOR A FREEZE ON THE
"RANGE AND QUANTUM" OF FURTHER BENEFITS UNDER CURRENT
COLLECTIVE AGREEMENTS. SIMILARLY, THE NWC RECOMMENDED
"EXTREME MODERATION" IN BENEFITS NEGOTIATIONS WITH NEW
COMPANIES.

4. COMMENT: THIS YEAR'S SEEMINGLY GENEROUS RECOMMENDED
SEVEN PERCENT WAGE INCREASE, WHEN WHITTLED AWAY BY OFF-
SETTING AGAINST TOTAL ANNUAL INCREMENTS AND FREEZE ON
FRINGE BENEFITS WILL BRING VERY MODEST, IF ANY, REAL
GAINS TO MOST SINGAPOREAN WORKERS. SINCE GOVERNMENT
WORKERS, FOR EXAMPLE, RECEIVED FIVE PERCENT COST OF
LIVING INCREMENTS THE FIRST OF THIS YEAR, THEY WILL NOW
RECEIVE A SCANT TWO PERCENT RAISE. IT IS EVIDENT THAT
THE DAYS OF LIBERAL WAGE INCREASES ARE INDEED OVER HERE,
AS THE GOS AND THE NTUC HAVE BEEN WARNING THE PUBLIC
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FOR MANY MONTHS. THE NWC'S STAND REGARDING WITHHOLDING PAY
RAISES FROM "MALINGERERS" IS TOUGH TALK, BUT COULD RESULT IN
NO MORE THAN INCREASED SPURTS OF PRODUCTIVITY PRIOR TO
INDUSTRY NEGOTIATIONS PERIODS. A POTENTIALLY SIGNIFICANT
EXEMPTION FROM THE RECOMMENDED INCREASE IS THE NWC PRO-
VISO THAT CERTAIN EXPORT-ORIENTED AND LABOR INTENSIVE
MANUFACTURING INDUSTRIES FACING STIFF FOREIGN COMPETITION
NEED NOT IMPLEMENT THE SEVEN PERCENT GUIDELINE " IN PART

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OR IN FULL". HOWEVER, IT REMAINS TO BE SEEN IF THIS IS MERELY A LOOPHOLE, THROUGH WHICH ONLY A FEW COMPANIES WILL BE PERMITTED TO PASS, OR WHETHER GOS WILL BE GENEROUS IN ITS INTERPRETATION OF THIS RECOMMENDATION.
THE FREEZE ON FRINGE BENEFITS WAS LEAST SURPRISING OF ALL NWC RECOMMENDATIONS SINCE SINGAPORE'S TWO BIGGEST UNIONS HAD ALREADY IMPOSED A VOLUNTARY FREEZE ON FRINGE BENEFITS FOR ALL THEIR WORKERS.

5. ALTHOUGH NWC RECOMMENDATIONS ARE IN LINE WITH EARLIER FORECAST (REFTEL), WE ARE NOW LESS SANGUINE THAT THEY POINT TO ELECTIONS THIS YEAR. LATTER COULD STILL OCCUR; HOWEVER, RELATIVELY NEUTRAL IMPACT OF NWC PROPOSALS ON TAKE HOME PAY MAKE IT QUITE UNLIKELY THAT THE GOVERNMENT WILL BE ABLE TO DERIVE ANY SIGNIFICANT ADVANGTAGE FROM THEM.
HOLDRIDGE

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